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REVIEWED BY

TO : FE - Mr. Robertson

FROM : CA - Walter P. McConaughy

SUBJECT: Status of Relations with GRC or FOI EXEMPTIONS

DATE: November 21, 1955

REASON(S)

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RELEASE DENIED

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Taipei's despatch No. 252 of October 21, drafted by Bill Cochran, is the Embassy's most comprehensive effort to date to take a detached and objective view of recent developments in the U. S.-GRC relations, which during the past summer gave rise to considerable alarm over the "deterioration in the cooperative relationship" on Taiwan. This assessment, which pulls together such developments as the reserve training program dispute, the Sun Li-jen case, and the budget question, is somewhat more hopeful and less alarming than individual reports on the separate developments have been.

The despatch recognizes that the root of much of our difficulty with the Chinese has been the growing divergence between the GRC's objective of overthrowing the Chinese Communist regime by military force and our own more limited, defensive objectives as set forth in the Mutual Defense Treaty.

The Geneva conference and the later Ambassadorial level talks between Ambassador Johnson and Wang Ping-nan high-lighted for the Chinese this fundamental divergence in our objectives. Although there was possibly, ~~some genuine~~ fear of "another Yalta sell-out" among the Chinese in Taiwan, the majority of Chinese probably realized that the U. S. fully intended to abide by its commitment to the GRC as expressed in the Mutual Defense Treaty. However, the developments in Geneva were disturbing to the Chinese precisely because they reflected the fact that our commitment was limited to that contained in the Mutual Defense Treaty. The shock and disapproval with which Geneva developments were received on Taiwan reflected the lingering hope of many Chinese that our Treaty was merely our minimum commitment, and that the U. S. was still receptive to enlargements of this commitment. No amount of assurances that the U. S. did not intend to betray the interests of China could thus cause the Chinese to resign themselves to the Geneva talks, as they had hoped against hope for more than mere non-betrayal.

In the military field the divergence between U. S. and Chinese objectives was most apparent in the case of the reserve training program problem. Essentially the problem arose out of the GRC's natural effort to utilize the reserve training program as a means of increasing the size of its standing forces. This effort was, just as naturally, opposed by the

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U. S. The difference was, however, unnecessarily exacerbated by a number of largely fortuitous coincident developments. The senior positions in the MAAG were changed at about the time that the reserve training program received a serious reexamination in Washington, and the new MAAG command was composed of officers who were apparently under instructions to be more insistent with the Chinese on their acceptance of U. S. military advice and the more limited U. S. concept and objectives. The Chinese (and our Charge) regarded this as a "get-tough" attitude on MAAG's part. Also the Chinese had misunderstood, or else disregarded, the cautions given them by Ambassador Rankin and General Chase that the initial discussions and agreement on the reserve program had been entirely ad referendum so far as the U. S. side was concerned. These circumstances added a strong element of personal ill feeling and recrimination to what would otherwise have been a readily soluble though serious difference of views. On indication of the importance of the personal element in the reserve training program, was being discussed in a cordial and optimistic atmosphere with President Chiang despite the fact that certain key points in the dispute--the elimination of non-supported units and the recovery of diverted equipment--remained (and still remain) unsettled.

It is in connection with the reserve training program that the drafting officer of Taipei's despatch expresses ~~some mild~~ criticism of the Department's "inaction" with respect to this problem. He complains (in the foot note on page 5) that the "sadly undermanned" Office of Chinese Affairs failed to provide guidance as regards the nine reserve division plan. Although Taipei's desire for guidance in regard to such a controversial problem is understandable the failure of the Office of Chinese Affairs to provide such guidance was not due to its being understaffed and over-burdened--true though this was. The Office of Chinese Affairs had been informed of the outlines of the Defense position on the reserve training program, and was in general agreement with this position. CA was not, however, cleared or even consulted regarding the precise wording of the message from JCS instructing MAAG to convey this position to the Chinese.

The Sun Li-jen case, according to the interpretation tentatively advanced in this despatch, may have reflected a Chinese move away from its former cooperative relationship with the U. S. In this interpretation, the removal of Sun may have served notice that the Chinese were not going to allow the authority of the political officers in the GRC armed forces to be reduced, and may also have been designed to call a halt to the further Westernization of GRC Army doctrine and tactics. It may even, whether by design or not, have caused pro-Western Chinese to reassess the value of a close relationship with Americans.

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In the economic field the divergence between U. S. and GRC objectives was reflected most clearly in the problem of the budget. the ICA mission reached the conclusion that the GRC was deliberately facing the U. S. with a budget deficit in order to force the U. S. to provide more aid in order to avert economic collapse. It became increasingly apparent to officials in ICA that much of the fundamental trouble in the economic field is due to the preoccupation of many high GRC officials with devoting as much as possible of American aid to developing the military forces necessary for a return to the mainland. U. S. economic assistance planning on the other hand is directed largely at promoting survival on Taiwan. This is, obviously, the expression in the economic field of the policy divergence in the diplomatic and military fields. In some specific instances of non-cooperation, such as that the Chinese have some cause for disgruntlement on their side.

of the Shih-ming Daily

Although the despatch reaches the conclusion, among others, that "the door is now open to an improvement in relations with China", the caution is added that "because of basic and slowly widening divergence of aims and interests, there will be more difference of approach and interests in the future than in the past."

COMMENT:

In general the analysis contained in Taipei's despatch is believed sound. As long as there is no reconciliation of the more defensive, limited objectives of the U. S. and the return to the mainland objective of the GRC there is bound to be a considerable degree of friction in the operation of all of our programs. This friction is not too important when, as in the past, our programs are directed at immediate objectives which happen to coincide with those of the Chinese themselves. If two construction crews are working on a building and one crew is working towards a 10 story building while the other crew has in mind a 15 story sky scraper, the two crews do not have any serious quarrels until the 8th or 9th story of the building has been completed. The stage has been approximately reached in our programs on Taiwan, and we now have to start planning on how we are going to put a roof on the structure. For their part, the Chinese are going to keep on pushing for a penthouse.

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